



United Heritage
Credit Union

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SEP28'05 AM 7:42 BOARD

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September 26, 2005

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Proposed Rule Part 741 (Requirements for Insurance) and Rule Part 712 (Credit Union Service Organizations)

Dear Ms. Rupp:

United Heritage Credit Union (United Heritage) submits the following response to the National Credit Union Administration's (NCUA's) Notice of Proposed Rulemaking and Request for Comments regarding proposed changes to Part 741 regarding investment activities of federally insured state-chartered credit unions and Part 712 regarding Credit Union Service Organization (CUSO) activities of the same. United Heritage is a \$390 million state-chartered community credit union headquartered in Austin, Texas serving more than 60,000 members.

NCUA has proposed requiring federally insured state-chartered credit unions adhere to the NCUA's requirement that nonconforming investments be investment grade as defined by the NCUA. The reason cited for this proposed rule change is that some state-chartered credit unions may make investments beyond those authorized in the Act or NCUA regulations for federal credit unions, and NCUA expresses concern that these investments raise safety and soundness issues.

NCUA is also proposing extending some of the limits imposed by Part 712 to federally insured state-chartered credit unions. The reason cited for this proposed rule change is the potential liability for state-chartered credit unions, and the resulting potential liability for the NCUSIF, if their CUSOs do not observe corporate separateness.

United Heritage's concern for both of these proposed rule changes lies with the transfer of authority for the regulation of state-chartered credit unions away from state regulators that will occur. Such a preemption of state regulatory authority threatens the viability of the "dual chartering" system, which has proven to be a valuable alternative for credit

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unions. Without the existence of substantial "safety and soundness" issues, I would suggest the negative impact upon the "dual chartering" system outweighs any benefit derived from the proposed rule implementation, and that state regulators should be allowed to continue with their regulation over the areas noted as being of concern.

Credit unions and regulators alike share a common concern for the strength and viability of the credit union system. Threats against that system make it more important than ever that we maximize the ability of credit unions to embrace opportunities and confront challenges. The dual chartering system plays an important role in that process, allowing a level of flexibility and balance that promotes prosperity within our industry. I suggest that any action that would preempt state regulator authority, without firm justification, potentially challenges the strength and viability of the dual chartering system and contributes to a weakening of our industry as a whole.

United Heritage is appreciative of the opportunity to comment on the proposed rule changes.

Sincerely,



Buddy Schroeder
President / Chief Executive Officer
United Heritage Credit Union